



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT
ON THE ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY
OF ECONOMIC DEVELOPMENT FOR
THE YEAR 2019

Prishtina, July 2020

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit is carried out in line with the International Standards of Supreme Audit Institutions, and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Ministry of Economic Development (MED) in consultation with the Assistant Auditor General, Arvita Zyferi, who supervised the audit.

The report issued is a result of the audit carried out by Luljeta Sylaj - Team Leader, and Bahri Statovci and Mazllumshahe Sejfadini - team members, under the management of the Head of Audit Department, Florim Beqiri.

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Executive Summary

This report summarises the key issues arising from our audit of Ministry of Economic Development (MED) for 2019, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2019 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

Our audit focus has been on:



Conclusions

The Annual Financial Statements of MED presented in the Annual Financial Report (AFR) for 2019, which are related to the Statement of Cash Receipts and Payments, Budget Execution Statement and Disclosures for these statements are complete and accurate.

Financial management and internal controls are generally adequate and are being implemented effectively, but more commitment is required to eliminate shortcomings in the execution of payments and assets.

The Ministry has responded positively to the prior year recommendations, where an increased commitment has been observed to addressing and monitoring them.

Opinion of the Auditor General¹

Unmodified Opinion

For more details, see Chapter 1 of this report.

Management's Response on 2019 audit

The Ministry has agreed with audit findings and conclusions and has committed to address all given recommendations.

The National Audit Office appreciates the cooperation from the management and personnel of the Ministry during the audit process.

¹ Annex I explains different types of Opinions in line with ISSAIs.

Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records in regard to as the following:

- Whether the financial statements give a true and fair view of the accounts and financial matters for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether appropriate actions for implementation of audit recommendations have been undertaken.

The audit was based on risk assessment. We have analysed the Ministry's operations, the extent the management controls could be relied to in order to determine the level of in-depth testing required to obtain evidence supporting the Auditor General's opinion.

Our procedures have included a review of internal controls, accounting systems and interrelated substantive tests, as well as related governance arrangements to the extent considered necessary for the effective conduct of audit. Audit findings should not be regarded as representing a comprehensive overview of all the weaknesses that may exist, or of all improvements that could be made to the systems and procedures operated.

The following chapters provide in detail our audit findings and recommendations in each audited area. Management's responses to audit outcomes can be found in Annex II.

1 Audit Opinion on Annual Financial Statements

We have audited the AFS of the MED for the year ended on 31 December 2019 in accordance with the Law on NAO and the International Standards of Supreme Audit Institutions (ISSAIs). Audit examinations were carried out in order to allow expressing opinions on AFS which comprise the Statement of Cash Receipts and Payments, and Budget Execution Statement, provided further in detail.

Unmodified Opinion

In our opinion, the Annual Financial Statements for the year ended on 31 December 2019 give a true and fair view in all material respects, in accordance with International Public Sector Accounting Standards according to cash based accounting.

Basis for the Opinion

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the section 'Auditor's responsibilities for the audit of the Annual Financial Statements' of our report. In compliance with ISSAI 10 and 30, and other relevant requirements for audit of budget organisations' AFSs, the NAO is independent from the Ministry. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for AFS

The Secretary General of the Ministry is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Cash based Accounting. and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law No. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation No. 01/2017 on Annual Financial Statements of Budget Organisations.

The Minister of Economic Development is responsible to ensure the oversight of the Ministry's financial reporting process.

Auditor General's Responsibility for the audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit conducted in accordance with ISSAIs. These standards require that we obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements

may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

The audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the presentation of the financial statements.

We communicate with the management of the audited entity regarding the audit scope, planned time and significant findings including any significant shortcoming in internal control that we have identified during the audit.

The audit report is published on the NAO's website, except for information classified (as sensitive) or other legal or administrative prohibitions in accordance with applicable legislation.

2 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources and assets and liabilities as well as the internal audit function.

Financial Management and Control Conclusion

MED internal controls have generally been implemented by management and have been effective in preventing irregularities. However, the inconsistent implementation of statutory rules and obligations has caused shortcomings in the management of salaries and assets.

2.1 Budget Planning and Execution

We have considered the sources of budget funds and spending of funds by economic categories. This is highlighted in the tables below:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ²	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Sources of Funds	40,278,861	42,834,475	25,698,493	60	22,447,006	22,972,556
Government Grant - Budget	20,070,861	23,530,875	21,113,353	90	16,849,412	20,223,249
Funding from borrowings	11,208,000	11,208,000	3,638,048	32	5,597,594	2,749,307
Revenues from PAK ³	2,000,000	1,095,600	947,092	86	0	0
Investment clause	7,000,000	7,000,000	0	0	0	0

The final budget of MED is higher than the initial budget by €2,555,614. The budgetary changes are a result of Government decision 02/115, dated 17.12.2019, for savings and appropriation. Details are presented in the following paragraphs after Table 2.

In 2019, the Ministry spent 60% of the final budget or €25,698,493, with a decrease of 35% compared to 2018. The low budget expenditures were affected by low spending of borrowings, which were not spent according to plans. The funds from the borrowing fund were spent only at

² Final budget – the budget approved by the Assembly subsequently adjusted by the Ministry of Finance.

³ Privatisation Agency of Kosovo.

32%. In addition, the budget foreseen for financing of capital projects⁴ from the investment clause in the amount of €7 million was not allocated/appropriated for spending to the Ministry, because no Memoranda of Understanding for the projects were signed.⁵

Table 2. Spending of funds by economic categories - (in €)

Description	Initial Budget	Final Budget	2019 Outturn	% of 2019 Outturn	2018 Outturn	2017 Outturn
Spending of funds by economic categories	40,278,861	42,834,475	25,698,493	60	22,447,006	22,972,556
Wages and Salaries	1,260,112	1,277,879	1,277,879	100	1,293,195	1,116,910
Goods and Services	4,338,669	4,403,160	2,053,421	47	3,789,853	2,656,685
Utilities	46,210	46,210	12,960	28	12,851	18,311
Subsidies and Transfers	12,493,870	15,766,859	14,731,512	93	8,984,721	8,058,014
Capital Investments	22,140,000	21,340,367	7,622,721	36	8,366,386	11,122,636

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries, unlike the initial budget, was increased by €17,767. This increase is a result of Government decision no. 03/115, dated 17.12.2019. The increase was made because additional funds were needed to compensate the increase in the number of political staff compared to planning;
- The final budget for Goods and Services increased by a total of €64,491. This increase was made in line with Article 30.2 of the LPFMA, where the Minister of Finance approved the requests of MED for budget transfers in this category;
- The final budget compared to the initial budget for Subsidies and Transfers was increased by €3,272,989. The increase has come through Government decision no. 03/115, dated 17.12.2019 for savings and budget allocations, where €3,502,989 were allocated for the support of Publicly Owned Enterprises⁶; while the decrease of €230,000 was made in accordance with Article 30.2 of the LPFMA, where the Minister of Finance approved the requests of the MED for budget transfers from this category to other economic categories;

⁴ The projects that would be financed through the Investment Clause are: Replacement of Asbestos-Cement Pipes in the city of Gjakova; Construction of Wastewater Treatment Plant-Ferizaj; Sewerage for 6 villages in Deçan; and the Drinking Water water-collector in the village of Verboc-Drenas.

⁵ The Framework Agreement for Co-operation with the Hungarian Government (which is the source of funding for the projects in question) is in the process of being amended and this process has not been completed yet.

⁶ Following the decision of the Minister of MED, the funds were allocated to POEs: RWC Mitrovica €828,929; Post of Kosovo €720,000; Trepça €700,000; Infrakos €400,000; RWC Hidroregjioni Prizren €300,000; Trainkos €300,000; Gjakova District Heating €300,000; RWC Hidromorava Gjilan €250,000; RMC Pastërtia Ferizaj €150,000 and RMC Uniteti Mitrovica €144,060.

- The initial budget compared to the final budget for Capital Investments, in total, was decreased by €799,633. Budget movements in this category were made as follows:
 - €965,142 were taken on behalf of savings with the Government decision no. 03/115; and
 - The increase by €165,509 was made in line with Article 30.2 of LPFMA, where the Minister of Finance approved the requests of MED for budget transfers from the economic category of Goods and Services and Subsidies to this category.

2.1.1 Wages and Salaries

The final budget for Wages and Salaries was €1,277,879, which was spent in full. The number of employees by budget was 181, whereas by the end of the year the number of employees was 176. We have tested 15 samples of €10,409 as part of substantive testing, and eight (8) samples of €5,688 as part of compliance testing.

Issue B1 Lack of evidence for work attendance

Finding Law No. 03/L-149 on Civil Service of the Republic of Kosovo, Article 36 stipulates, 'Civil Servants working time shall not exceed forty (40) hours per week, unless otherwise determined by this Law'. Regulation 05/2010 on the Working Hours, Article 7 stipulates, "During working hours all civil servants are obliged attend their working place "Every civil servant shall sign in the attendance book or electronic register".

The Government decision no. 06/39, dated 22.07.2015, approved the agreed conclusions for the implementation of the so-called "Civil Protection". In the MED, 18 former members of the "Civil Protection" were assigned to work, who were also provided with an appointment act.

We have noticed that for the 18 above-mentioned officials, the ministry has no evidence to confirm their presence in the working place, or reports on the work done during 2019, while the ministry has paid their salaries regularly. The financial value for salary expenditures for 2019 for these officials was €92,708. This situation was the same also last year and the same was reported in our audit report for 2018.

According to the MED, this happened due to the lack of working areas, where the officials were not engaged and did not attend work.

Impact Employee payments in the absence of evidence of work attendance and in the absence of engagement to perform official duties are considered irregular payments and they harm the ministry's budget.

Recommendation B1 The Minister should ensure that regular monitoring of work attendance is carried out for all ministry's employees and, in cases of non-compliance with working hours, specific measures are taken as foreseen by the applicable legal framework.

2.1.2 Goods and Services

The final budget for Goods and Services and Utilities in 2019 was €4,449,370, of which €2,066,382 was spent, or 46% of this budget. Expenditures related to contracting services, expenses for official material, official travel, fuel, telephone, internet, etc. We have tested 32 samples of €1,103,606 as part of substantive testing, and five (5) samples of €260,246 as part of compliance testing. We encountered no material issue to report.

2.1.3 Subsidies and Transfers

In 2019, the final budget for Subsidies and Transfers was €15,766,859, of which €14,731,512 was spent. They mainly deal with the subsidy of Publicly Owned Enterprises (POEs) for capital projects, with the coverage of operating expenses of POEs and other subsidies. Payments are based on the Monitoring and Control Agreements signed with each respective POE and with the value specified in the Budget Law for 2019.

We have tested 64 samples of €12,093,848 as part of substantive testing, and seven (7) samples of €4,008,986 as part of compliance testing.

Issue A1 Payments from wrong economic categories

Finding Article 33 paragraph 1 of the Financial Rule No. 01/2013 MoF- Public Funds Expenditure, specifies that budgetary organizations should ensure that all persons in employment relationship are paid through the payroll.

Upon reaching the retirement age and termination of employment relationship, the MED paid a salary for two officials from the category of subsidies and transfers, including compensation for unused days of annual leave. The total payment was €2,256. Such payments must be paid from Wages and Salaries. This was due to a lack of budget in the salary and wages category.

Impact Payment of salaries from the category of subsidies and transfers represents an incorrect statement of budget expenditures, affecting the overestimation of expenditures in the category of subsidies and transfers and the underestimation of expenditures in the category of wages and salaries.

Recommendation A1 The ministry' management should ensure that budget is planned property for each category based on the real needs of the ministry and that payments are made from the adequate category.

2.1.4 Capital Investments

The final budget for Capital Investments was €21,340,367, of which €7,622,721 were spent in 2019. Those relate to the implementation of energy efficiency measures in public buildings and educational facilities, capital transfers for the support programme for water supply and sewerage in rural areas as well as for the programme of implementation of digital economy. We have tested 25 samples of €7,429,839 as part of substantive testing, and five (5) samples as part of compliance testing.

Issue A2 Delays in project execution

Finding MED in the contract signed on 21.08.2019, in amount of €309,342, for the project "Implementation of energy efficiency measures in educational facilities", specified that the project would be completed in 90 working days after signing the contract. The project was co-financed with the Municipality of Gjakova, which participated with €29,000. However, by 04.06.2020, while we were auditing, this project had not been completed yet. The works were left unfinished due to the item in amount of €40,150, which the municipality wants to change from "Fundermax facade" to "Brick" due to the architectural appearance of the building/school. Currently, the Ministry has not been finding a solution to this issue. The contract has had other problems as well, where the chair of project commission was changed during the work process.

Impact Non-execution of projects according to the dynamic plan affects non-implementation of the planned goals of the Ministry.

Recommendation A2 The Minister, in co-ordination with the Municipality of Gjakova, should act appropriately to resolve the problem that has caused delays in implementation of project and ensure the full implementation of works in the most optimal time.

2.2 Capital and non-capital assets

The amount of capital assets presented in AFS is €20,275,325, that of non-capital assets is €27,490, and of stock is €35,695. We have tested 30 samples of €7,324,051 as part of substantive testing, and eight (8) samples as part of compliance testing.

Issue B2 Shortcomings in asset management

Finding Article 6 of MoF Rule no. 02/2013 on Management of Non-financial Assets by Budget Organizations stipulates that each budget organization should create and update the register of non-financial assets under its management. In previous years, in the register of capital assets, there were registered 15 assets with a net value of €512,372, which were Goods and Services. Incorrectly recorded payments relate to geological/geochemical studies, energy potential assessments, studies, strategies and annual inert arrivals. This causes capital assets to be overstated. This issue was raised in our 2018 audit report.

Although the Treasury requested the deletion of assets which were registered as goods and services from the KFMIS register, they have not been deleted yet.

Impact Failure to update the asset register, namely non-deletion of goods and services from the capital asset register, affected the overstatement of assets by creating an inaccurate view of the value of assets for the AFR readers.

Recommendation B2 The Minister should ensure the systematic functioning of control regarding the timely updating of the capital asset register.

2.3 Outstanding and Contingent Liabilities

The statement of outstanding liabilities to suppliers at the end of 2019 was €15,485. These liabilities are carried forward to be paid in 2020.

We have tested five (5) samples of €9,880, as part of substantive testing, which were paid in early 2020. We also verified that the MED reported to the Ministry of Finance on a regular monthly basis for outstanding liabilities.

Outstanding liabilities related to luncheons, other contract expenses, internet and telephone expenses, fuel and security for facility. The vast majority of invoices or 87% were received at the end of December and after the closure of the Kosovo Financial Management Information System (KFMIS). These were the reasons why these invoices were not processed for payment in 2019.

While the contingent liabilities presented in the financial statements of the Ministry for 2019 are €3,189,703, which relate to two enforcement procedures⁷ for which the legal proceedings have not ended yet.

⁷ Request for enforcement from the Central Publicly Owned Enterprise, Post of Kosovo J.S.C. str. "28 Nëntori" from MED in amount of €3,188,729 and the enforcement motion against SIGKOS in amount of €974.

At the end of 2019, MED presented contractual obligations of over €11 million. These obligations relate to contracts signed during the current and previous year for Capital Investments and Goods and Services.

2.4 Internal Audit Function

The Internal Audit Unit (IAU) operates with one official - the head of IAU. IAU prepared the Strategic Plan (2018-2020) and the Annual Plan which were approved by the management of the ministry. Four audits⁸ were planned and carried out in the annual plan, which cover 2019. Their scope has been on the management system of the department of mining, energy and the management of capital investments.

The IAU also reported on a regular basis to the Central Harmonization Unit of the Internal Audit (CHU/IA). The IAU work was overseen by the Internal Audit Committee, which held five meetings to discuss the challenges facing the IAU.

Issue B3 Weaknesses found with IAU

Finding

According to Regulation GRK-no. 01/2019, on the Establishment and Implementation of the Internal Audit Function in the Public Sector Entity, Article 5, para 1.1, stipulates that each organization with a budget of over €7 million should have at least three internal auditors. Article 10, para 1.2, stipulates that the strategic and annual audit plans must be submitted by no later than 31st of December of the fiscal year. Based on this:

Currently the Ministry has only one auditor, as Acting Head of IAU, although the MED budget is over €40 million and it should thus have three auditors. The annual plan of the IAU was also drafted and approved late in May. This was due to changes in leading positions of this unit.

Impact

Failure to complete the IAU and failure to draft a plan in a timely manner prevents the management from possessing timely information on the reasonableness and effectiveness of financial management systems and control systems in the performance of the ministry's tasks and achievement of objectives.

Recommendation B3 The Minister should take adequate actions to ensure sufficient human resources for completion of the IAU, and to approve IAU's annual and strategic plans in a timely manner.

⁸ "General management system in the Department of Mines 2019", Management system - "Kosovo Project for Renewable Electricity Efficiency" 2019, Concluding a contractual relationship for the tender "Establishment of creative centres for high schools in Kosovo" and "Position, appointment and accountability of CFO".

Issue A3 Implementation of IAU recommendations not satisfactory

Finding Administrative Instruction no. 01/2019 on the Establishment and Functioning of the Audit Committee at Public Sector Entity, Article 7, paragraph 1.7 stipulates that the Audit Committee reviews summary reports, findings, recommendations of internal audit and ensures that those have been properly addressed by the head of the public sector entity.

We have assessed the implementation of the recommendations made by IAU and have observed a low implementation of recommendations. Of 22 recommendations made, seven (7) were implemented, while 15 of them were not.

The reason for not implementing the recommendations is the lack of a formal process of management to monitoring them.

Impact Lack of readiness to fully implement IAU recommendations affects the non-improvement of processes, which result in failure to achieve the objectives of the ministry.

Recommendation A3 The Minister should ensure that the recommendations arising from the internal audit are followed by a formal monitoring and reporting process by the responsible units and they are periodically reviewed to see thereof.

3 Progress in Implementing Recommendations

Our Audit Report on the 2018 AFS of MED resulted in 14 recommendations. MED prepared an Action Plan stating how all recommendations will be implemented. It also submitted the Progress report on implementation of recommendations (30th of September and 15th of March) under requests deriving from the Rules of Procedure on implementation of audit and action plans.

At the end of our 2019 audit, nine (9) recommendations were implemented; three (3) were not implemented; and two (2) were closed. For a more thorough description of the recommendations and the way they have been addressed, see Table 4 (or Table of recommendations).

This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail.

Table 4 Summary of prior year recommendations and of 2019

No	Audit area	Recommendations of 2018	Actions undertaken	Status
B1	AFS	The Minister should take actions towards strengthening preventive controls for avoiding the cases of Emphasis of Matter in the Opinion. We recommend that, the projects shall be budgeted by economic categories as of budget planning stage, and the classification of expenditures shall be done properly using adequate codes.	MED management has taken the necessary steps to accurately classify the expenditures. In 2019, we encountered a misclassification of subsidies, which was immaterial.	Recommendation closed
C1	AFS	The Minister should ensure an adequate and systematic functioning of controls related to completeness of asset registers and ensuring that the Annual Financial Statements are subject to rigorous review and assessment by the Chief Administrative Officer and Chief Financial Officer, before the declaration is signed and AFS submitted to the Ministry of Finance.	Although MED made progress in registration of assets, it has not managed yet to make a complete register of assets. Assets identified as goods and services registered in the asset register have not been deleted yet.	Recommendation unimplemented
A1	Wages and Salaries	The Minister should examine the reasons on not attending the workplace by these employees, to resolve the issue by engaging them at work, or on the contrary, halt paying their irregular wages. Due to complexity of this issue, the Minister is recommended to address further issue of these payments in the Government as well.	MED management has not taken any steps to implement this recommendation.	Recommendation unimplemented
A2	Goods and Services, and Utilities	The Minister should act in accordance with the obligations of the CPA contracts, in order to economize the expenses and achieve value for Money.	There have been no supplies of such items this year.	Recommendation implemented
A3	Goods and Services, and	The Minister should ensure compliance with the applicable	Funds were returned to the	Recommendation implemented

	Utilities	rules providing all expenditures for official travels are made only for official purposes and return of funds to the budget of the Ministry for all irregular spending.	Kosovo Budget.	
A4	Goods and Services, and Utilities	The Minister should ensure that procurement officers are fully responsible and competent in their work, and all purchases are carried out in accordance with the procedures, aiming for more competitive prices.	During the testing of the samples, we did not encounter any expenses incurred outside the basic contract.	Recommendation implemented
A5	Subsidies and Transfers	The Minister should ensure that all provisions within the agreement reached with Trepca on monitoring are being implemented, and no transfer shall be carried out before being confirmed with internal audit report.	The Ministry made no payments without receiving the Internal Audit report.	Recommendation implemented
B2	Subsidies and Transfers	The Minister should ensure that within the budget planning requests, the request for the budget funds for hiring consultants or any consulting company to assist on the assessment process is included as well.	The Ministry contracted the company, which evaluated the effectiveness of the directors of POEs.	Recommendation implemented
B3	Subsidies and Transfers	The Minister should ensure specifying of clear criteria in all agreements on the process of monitoring and reporting, and the same criteria applies strictly during the transfer of subsidies to the public enterprises.	Supporting evidence was received for each payment and it was reported on the granted subsidies.	Recommendation implemented
A6	Capital Investments	The Minister should ensure commitments of needed funds before signing contracts for covering the contractual obligations.	A declaration of availability of funds and commitments has been signed for each contract.	Recommendation implemented
A7	Capital and Non-capital Assets	The Minister should ensure issuing an internal guideline and appoint competent officials in the inventorying commissions hence, through inventorying process accordingly confirm the physical	MED has established the asset inventory commission and produced the asset	Recommendation implemented

		existence and accuracy of the assets, and final state of non-financial assets be reported in the AFS.	management guidance.	
A8	Capital and Non-capital Assets	The Minister should ensure that the position of the asset management officer is covered by competent and accountable officers, and also ensure adequate vocational training so that, the asset registers are managed in accordance with legal requirements.	MED has deleted capital assets from the e-assets register and new assets purchased in 2019 are recorded correctly.	Recommendation implemented
B4	Internal Audit System	The Minister should take actions to ensure sufficient human resources for the proper and effective functioning of internal audit, as well as timely approve annual work plans of the IAU.	Despite the initiatives, the management has not managed to fully address this recommendation.	Recommendation unimplemented
B5	Management Reporting	The Minister should ensure maintenance of detailed minutes during regular reporting, and actions taken on reducing the risks before decision-making process should be proved. In addition, resolving the problem with the SEM device shall be treated with priority.	The SEM device is put into operation.	Recommendation closed
No	Audit area	Recommendations of 2019		
B1	Lack of evidence for work attendance	The Minister should examine the reasons for work nonattendance by these employees, and solve the issue of their regular engagement at work otherwise the irregular payment of their salaries should terminate. Due to the issue being sensitive, the Minister is recommended to address this issue of salaries to the Government.		
A1	Payments from wrong economic categories	The ministry' management should ensure that budget is planned property for each category based on the real needs of the ministry and that payments are made from the adequate category.		
A2	Delays in project execution	The Minister, in co-ordination with the Municipality of Gjakova, should act appropriately to resolve the problem that has caused delays in implementation of project and ensure the full implementation of works in the most optimal time.		
B2	Shortcomings	The Minister should ensure the systematic functioning of control regarding		

	in asset management	the timely updating of the capital asset register.
B3	Weaknesses found with IAU	The Minister should take adequate actions to ensure sufficient human resources for completion of the IAU, and to approve IAU's annual and strategic plans in a timely manner.
A3	Implementation of IAU recommendations not satisfactory	The Minister should ensure that the recommendations arising from the internal audit are followed by a formal monitoring and reporting process by the responsible units and they are periodically reviewed to see thereof.

Annex I: Explanation of the Different Types of Opinion Applied by NAO

(extract from ISSAI 200)

Form of opinion

147. The auditor should express **an unmodified opinion** if it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor should modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

Modifications to the opinion in the auditor's report

151. The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express **a qualified opinion if**: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express **an adverse opinion if**, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion if**, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 170519 provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

Emphasis of Matter paragraphs and Other Matters paragraphs in the auditor's report

157. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

158. An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading “Emphasis of Matter” or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor’s opinion is not modified in respect of the matter emphasised.

159. If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor’s judgement, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading “Other Matter,” or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.

Annex II: Letter of Confirmation



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Qeveria-Vlada-Government
Ministria e Ekonomisë dhe Ambientit
Ministarstvo Ekonomije i Životne Sredine/Ministry of Economy and Environment

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2019 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Raportit/Pasqyrave Financiare Vjetore të Ministrisë së Zhvillimit Ekonomik, për vitin e përfunduar më 31 dhjetor 2019 (në tekstin e mëtejshëm “Raporti”);
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Z. Mentor Sylmeta.....

Sekretar i Përgjithshëm i Ministrisë së Ekonomisë dhe Ambientit,

Data: 07.07.2020, Prishtinë,

